

King County

2011 Adopted BUDGET

Executive Summary

KING COUNTY, WASHINGTON

**Dow Constantine
King County Executive**

**Julia Patterson
King County Council
Budget Committee Chair**



King County

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Office of the King County Executive
Office of Performance, Strategy and Budget
King County Council

KING COUNTY, WASHINGTON

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BUDGET OVERVIEW



King County

TOTAL 2011 ADOPTED BUDGET (\$5.1 BILLION)

King County is home to over 1.9 million people, making it the 14th most populous county in the United States. King County government provides two types of services. As a regional government, it is responsible for transit, public health, courts, prosecution and defense of felonies, corrections, elections, property assessments, wastewater treatment, human services, regional parks, the Boeing Field airport, and other programs. As a local government for the unincorporated area, it is responsible for police protection, roads, prosecution and defense of misdemeanors, surface water management, land use and building permitting, and other functions. The County has other agencies that are responsible for governing and supporting the direct service agencies, such as the County Executive, County Council, and the Department of Executive Services that provides finance, human resources, facilities, and similar support functions for the County's direct services.

The King County Adopted Budget for 2011 totals \$5.1 billion. The County's budget is complex because many sources of revenue are dedicated for particular purposes and must be accounted for separately. For example, revenue received from cities and sewer districts for wastewater treatment can only be used for that purpose. Gas tax revenue provided by the State of Washington can only be used for transportation purposes. Property tax revenue from voter-approved levies, such as the Veterans and Human Services Levy, can only be used for programs described in the original ballot measure. The major categories of spending in the 2011 Budget are shown in Figure 1.

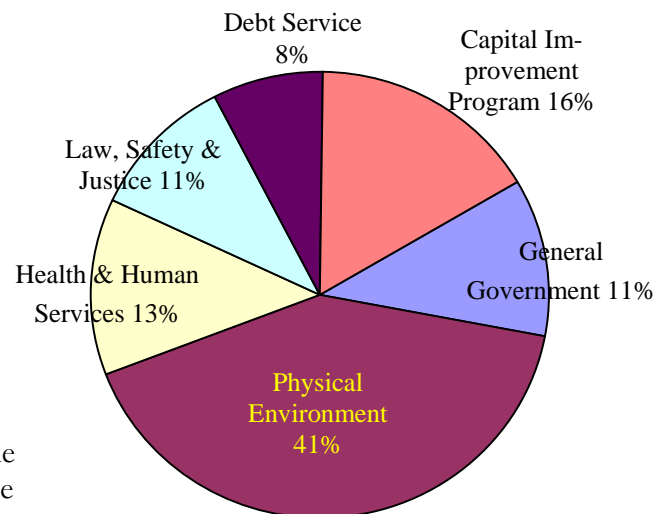


Figure 1

Budget (in millions) ¹	2010 Adopted	2011 Adopted ³	+/-
General Fund	\$627.2	\$619.4	-\$7.8
Special Revenue ²	\$1,131.9	\$1,139.6	\$7.7
Enterprise ²	\$1,622.5	\$1,621.6	-\$0.9
Internal Service ²	\$463.3	\$486.4	\$23.1
Debt Service	\$370.6	\$383.7	\$13.2
Capital ²	\$594.9	\$691.7	\$96.7
TOTAL	\$4,810.5	\$4,942.5	\$132.0

¹ Variances may not watch due to rounding in all tables.

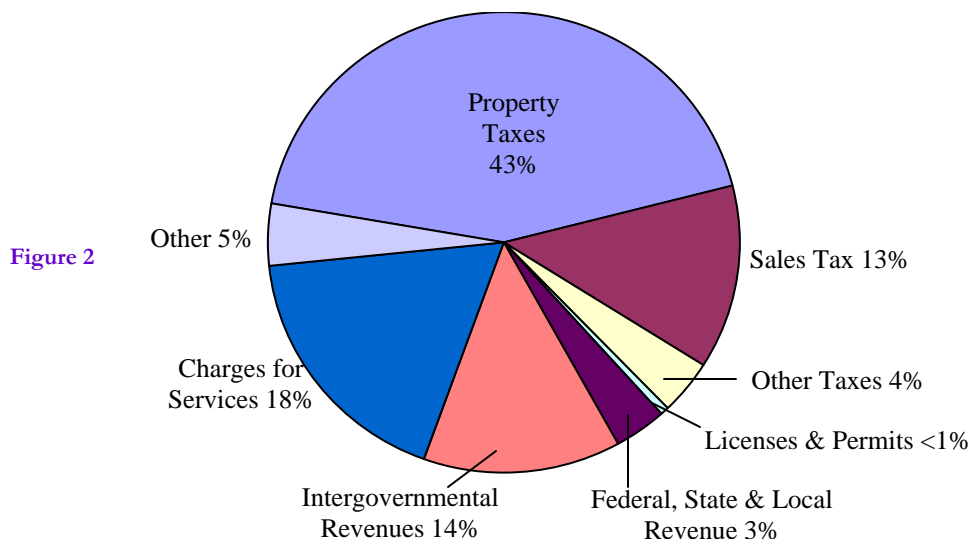
² These categories include the biennial budget 2010/2011 for Department of Transportation

³ The total budget is \$5.1 billion. This illustration excludes double budgeted transfers of approximately \$190 million.

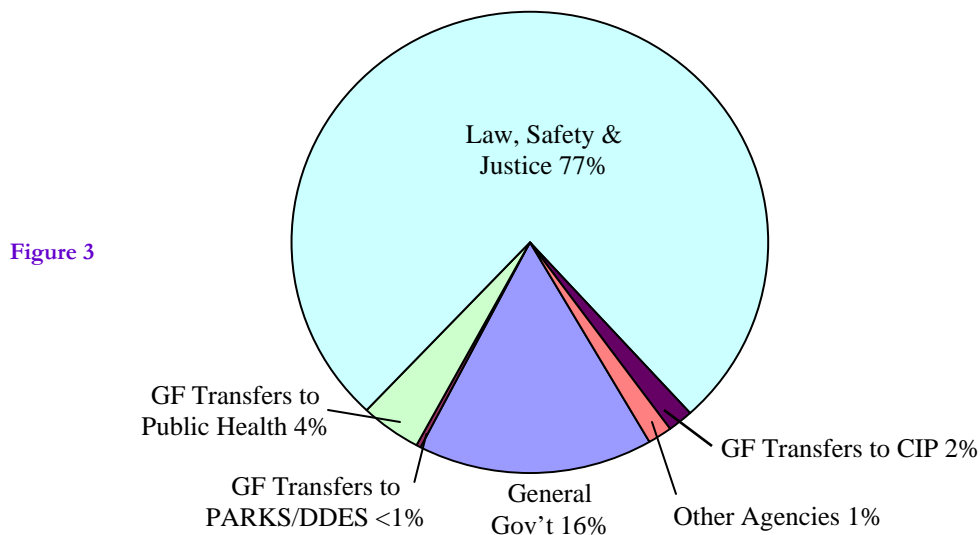
2011 ADOPTED GENERAL FUND REVENUES AND EXPENDITURES

The 2011 Adopted Budget includes appropriations of \$619.4 million from the County's General Fund. The General Fund is the most flexible part of the budget because it can be used for a wide range of programs. The General Fund budget includes the traditional functions of a county government, such as the Sheriff's Office, Superior and District Courts, the Prosecuting Attorney's Office, the corrections system, the Assessor's Office, Elections, the Executive's Office, and the County Council. The General Fund also provides financial support to some other funds, such as Public Health. The major categories of proposed General Fund spending are shown in Figure 3 and the major sources of revenue are shown in Figure 2.

2011 ADOPTED GENERAL FUND REVENUES



2011 ADOPTED GENERAL FUND EXPENDITURES



2011 General Fund by the Numbers:

\$59.2 million

2011 Projected General Fund Deficit

\$27.7 million

Combined expenditure decrease and revenue increase for Criminal Justice

\$11.3 million

Combined expenditure decrease and revenue increase for General Government

\$4.0 million

Net expenditure reduction to the Transfers for Physical Environment, Capital projects, and Public Health

\$3.4 million

Reduction to projected Debt Service payments

\$12.8 million

Forecast adjustment, reserve changes and other

\$22.7 million

2012 Projected General Fund Deficit

ECONOMIC SITUATION



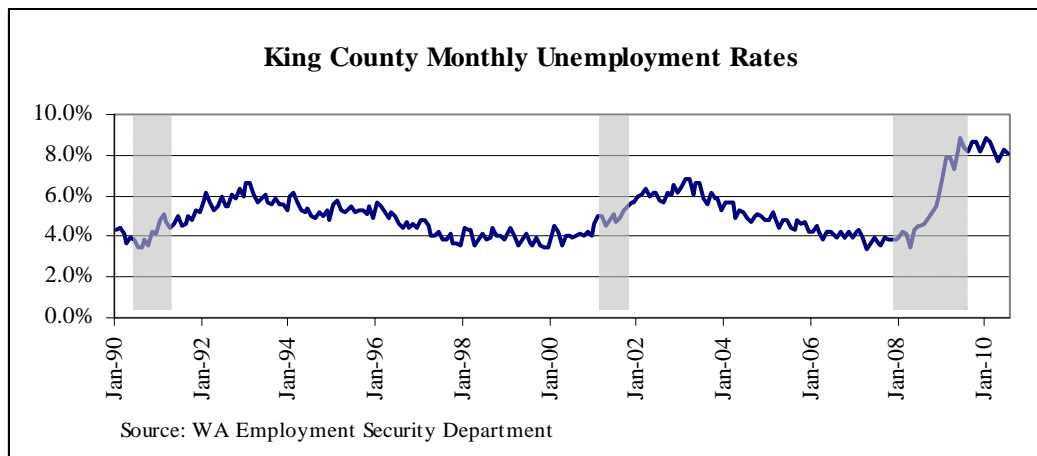
King County

The Great Recession that began in December 2007 is the most serious national economic downturn since the 1930s. The near-collapse of the financial markets and the bursting of the housing bubble led to the loss of about \$16 trillion in household wealth between the second quarter of 2007 and the first quarter of 2009. Figure 4 shows the job losses that have occurred since the recession began. According to the National Bureau of Economic Research, the recession officially ended in June 2009, but economic recovery has been extremely slow.



King County's economy has fared slightly better than the nation's but has still been badly hurt.

King County's economy has fared slightly better than the nation's but has still been badly hurt. The graph below shows unemployment rates for the last two decades. This rate reached nearly 9.0 percent in the peak of the Great Recession, far above the peak reached in the last recession. The unemployment rate has stayed persistently high since early 2009 and is still 8.0 percent as of August 2010.



The severe nature of this recession can be seen in Figure 6, which compares the major regional recessions of the last fifty years using percentage change in employment as the indicator. The “Boeing Bust” of 1969-1970 saw the fastest and deepest employment downturn, but the recovery was relatively quick because the national economy was strong. The 2001 recession was far more severe in the Puget Sound region than in the nation as a whole because of the combined effects of the collapse of the “dot.com” industry and the impact of the 9/11 terror attacks on the commercial airplane industry. It took six years to return to the same number of jobs as had existed when the recession began.

The King County employment loss in the Great Recession has been very similar to what happened in 2001. It is likely that recovery again will be very slow. The national economy is much weaker than it was during the last regional recession, which means there won’t be as much demand for products and services produced here. Many jobs that were lost in the construction and real estate sectors will not return soon, if ever.

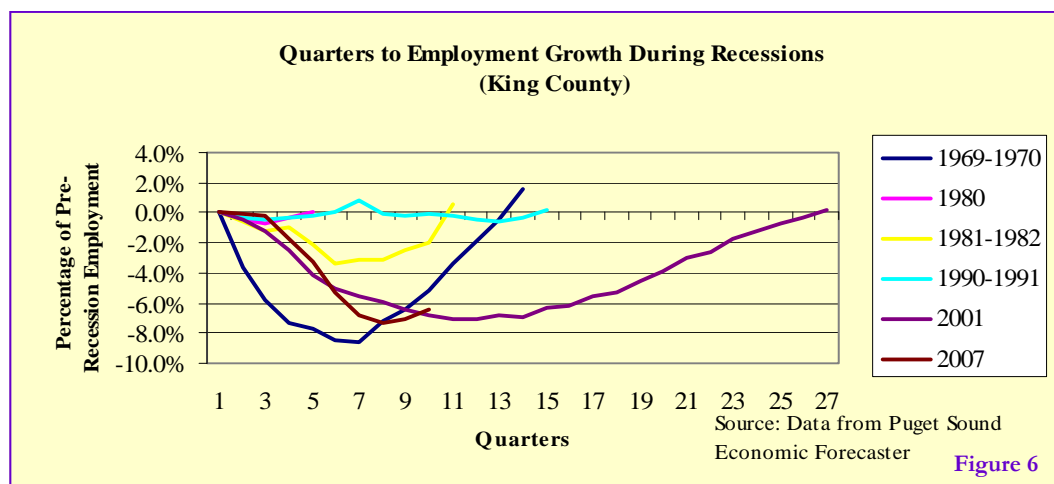


Figure 6

A key difference between the Great Recession and previous recessions is the sharp decline in the housing market. Housing development and prices grew steadily through the 2000s, fed by low interest rates and the widespread availability of mortgages to marginally-qualified buyers. As can be seen in Figure 7, the median home value in King County nearly tripled between 1994 and 2006, reaching a peak of about \$440,000. By 2009, this figure had fallen to \$375,000. There is now an excess inventory of all types of housing. Sales are slow, despite historically low interest rates, because fewer buyers can qualify and many are hesitant to buy until the economy improves.

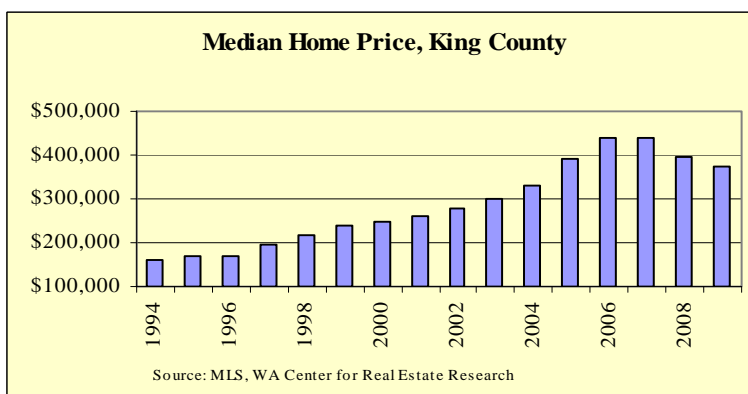


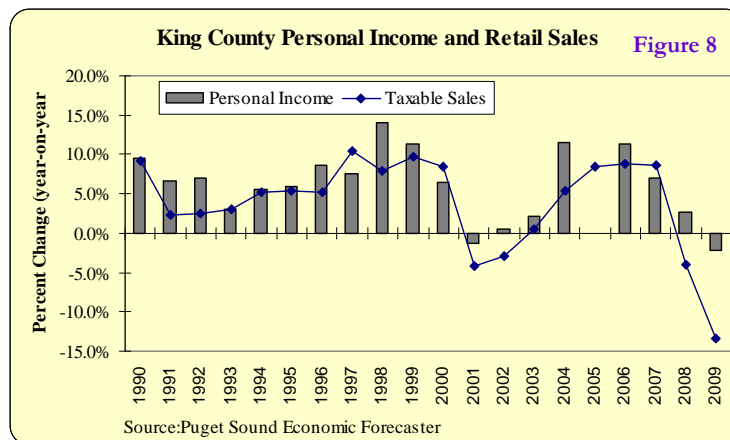
Figure 7

“After years of record growth during the housing bubble, the county’s assessed value experienced double-digit percentage declines for tax year 2010.”

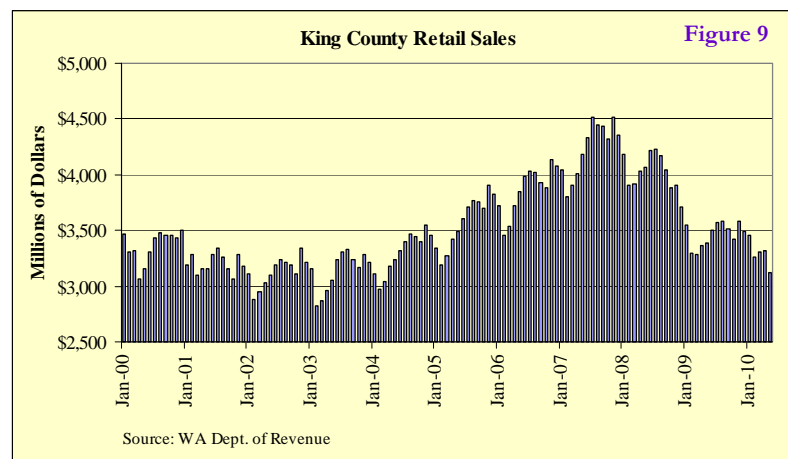
Tom Goodwin, PhD
King County Chief
Economist

“A prolonged recession and an anemic recovery have taken a major toll on the county’s second largest tax revenue source.”

Tom Goodwin, PhD
King County Chief Economist



the General Fund. Figure 8 shows trends in personal income and taxable retail sales for King County over the last 20 years. The recent decline in retail sales is by far the deepest since the local option sales tax was authorized in 1970. The decline in retail sales far exceeds the decline in personal income, reflecting a combination of lost wealth and high unemployment. Individuals and businesses are saving their money, not spending it, because of uncertainty about the economy.

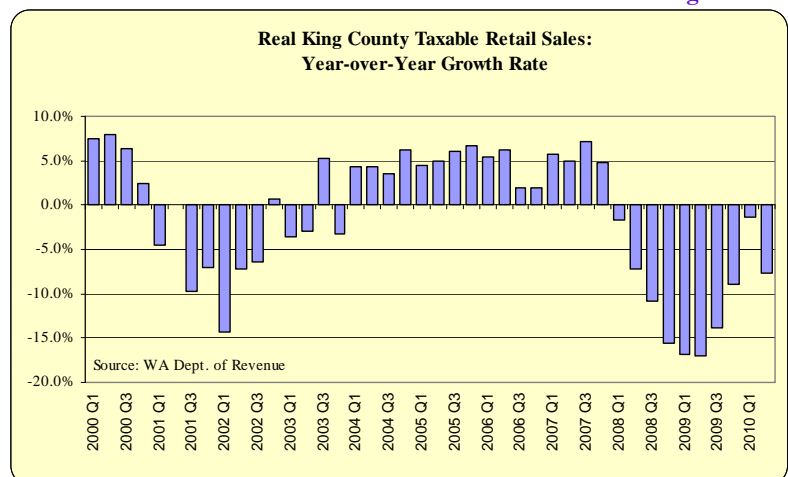


Figures 9 and 10 show King County retail sales for the last decade in both actual amounts and annual growth rates. Figure 9 shows that current retail sales are almost identical to levels seen a decade ago, despite about 28 percent inflation over this period. Figure

10 shows how much deeper the decline in taxable sales has been in this recession compared with the 2001 recession. This has created severe financial challenges

Figure 10

for many of the County’s funds. For example, the latest revenue forecasts adopted by the King County Forecast Council show that the Transit Fund will receive about \$367 million in 2010, a decline of 17 percent from the peak in 2007.



FUTURE FISCAL CHALLENGES



King County

King County has coped with two recessions and with tax limitation measures by a variety of means over the last decade. The General Fund faced gaps between revenues and the cost to sustain services of a combined \$149 million for 2009 and 2010. These gaps were filled by cutting some programs, drawing down fund balances, shifting costs to other sources (such as voter-approved property tax levies for parks and human services), and using some of the proceeds of the special 0.1% sales tax for Mental Illness and Drug Dependency (MIDD) programs to temporarily cover the cost of continuing some qualifying General Fund programs. This use of MIDD money was authorized by the State Legislature on a temporary basis and the County must begin shifting these costs back to the General Fund in 2013. By 2015, a total of \$15 million will be needed if these programs are to continue. Other County funds, such as Transit and Development & Environmental Services, have also relied on fund balances to maintain levels of service.

In addition to problems posed by the weak economy, the County's budget faces at least three other long-term challenges:

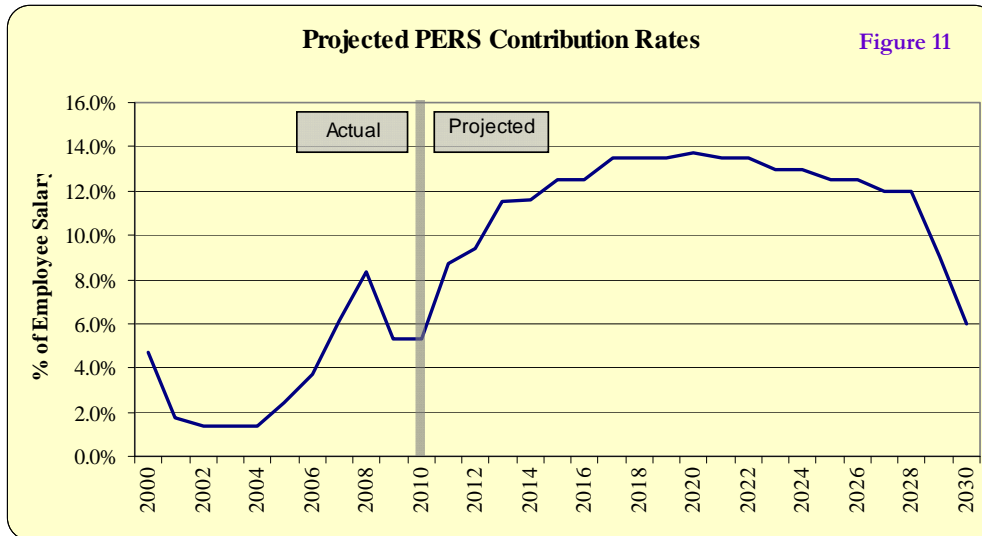
1. HEALTH CARE COSTS FOR EMPLOYEES CONTINUE TO GROW FAR FASTER THAN THE RATE OF INFLATION

Between 1999 and 2009, King County's actual per employee costs for providing health care grew by an average of 9.2 percent annually. The County and its employees have worked to reduce this growth through the "Healthy Incentives" program, which an independent study showed has saved \$21 million over the last three years. Despite this, the actuarial projection for health care cost increases is 12.5 percent for 2011, with similar increases in the two following years.

2. PENSION CONTRIBUTION RATES WILL HAVE TO INCREASE SIGNIFICANTLY

King County employees are members of pension systems managed by the State of Washington. In response to the two recessions in the last decade and because of strong investment earnings growth from 2002 through 2007, the State lowered employer contribution rates far below historical norms. These low contribution rates coupled with the market collapse in 2008 have produced significant underfunding of many of the State's older pension programs. The State Actuary predicts that employer contribution rates will need to increase from the current level of 5.31 percent to over 13 percent by 2017. King County's projection of these rates is shown in Figure 11.

The 2011 Budget and longer-term financial plans assume these rates, which will create an ongoing cost driver for all County agencies. The 2011 Budget also continues to accumulate a reserve in the General Fund to help mitigate these higher costs in the future.



3. STATEWIDE INITIATIVES THREATENED TO REDUCE COUNTY REVENUES

Three initiatives on the November ballot would have reduced revenues for the County. Two initiatives, I-1100 and I-1105, would have eliminated State liquor stores in favor of private operations and would have affected distribution and taxation in different ways. The County receives revenue from the State based on both liquor taxes and Liquor Board profits. The revenue effects in 2011 would have been relatively small because the initiatives were not scheduled to take effect immediately, but losses in excess of \$1 million annually for the General Fund would have begun in 2012. However, both initiatives were defeated in November.

Initiative 1107 was approved by voters in November 2010. I-1107 repeals the sales tax on bottled water, candy, and certain other products that was imposed by the State in 2010. I-1107 is forecast to reduce County revenue by about \$4.5 million in 2011 because the County's sales tax is imposed on the same base as is the State's. Most of the revenue loss will affect Transit. The General Fund loss is forecast to be about \$670,000 for 2011 and these revenue losses were already assumed in the 2011 Proposed Budget.

Finally, both the federal and State governments face major budgetary challenges. State budget reductions will affect human service and public health programs administered by the County which use State funds. Some cuts were announced in late September. These could not be reflected in the 2011 Adopted Budget and will have to be recognized later in 2011. Other cuts likely will occur in mid-2011 at the start of the State's next fiscal year. King County's own financial challenges mean it will not be able to offset these cuts.

“You know well that we have a structural imbalance. Our single largest source of revenues is limited by statute to 1-percent growth per year, plus the taxes from new construction, when there is any. That’s close to a flat line”.

-Executive
Constantine
March 2010
100 Day Speech

OVERALL APPROACH TO 2011



King County

“The Strategic Plan is the blueprint for reform. It has four elements.

- *Service Excellence*
- *A Quality Workforce*
- *Wise Financial Stewardship*
- *Robust Public Engagement”*

-Executive
Constantine
March 2010
100 Day Speech

County Executive Constantine outlined the overall approach to the 2011 Budget in his “100 Day” speech on March 8, 2010 and each of the following approaches directly aligns with strategies in the adopted King County Strategic Plan:

1. FOCUS ON LONG-TERM SUSTAINABILITY, NOT ONE-TIME SOLUTIONS

The challenges facing the County’s budget are not short-term issues. The economic recovery is expected to be slow, so revenue growth also will be slow. Thus, finding one-time savings only postpones the budget problem to 2012. Similarly, the County is exploring policies that further reduce long-term interest costs.

2. USE THE KING COUNTY STRATEGIC PLAN TO HELP SUPPORT DECISIONS

The County adopted its first Strategic Plan in the summer of 2010. The Plan lays out goals and objectives for both what the County wants to do and how it wants to do it. Each County agency was asked to develop its budget and business plan in the context of the Strategic Plan and to explain how its programs support the Plan’s goals.

3. COMMIT TO FINDING EFFICIENCIES IN EACH ANNUAL BUDGET

The long-term cost drivers described previously mean that County costs typically are increasing about 3 percent more than the rate of general inflation. To avoid reductions in services, 3 percent improvements in productivity need to be made each year. The County Executive’s Office is coordinating this effort as the “Be the Difference” program, which provides a renewed emphasis on measuring and improving government performance. The Adopted General Fund Budget includes a \$100,000 innovation fund to support investments that will improve customer service and realize productivity gains.

*“Here’s the compact
we can offer:
if government can
drive down the costs
close to that middle
line of inflation, then
the public has an
honest choice.”*

-Executive
Constantine
March 2010
100 Day Speech

4. WORK ACROSS ORGANIZATIONAL BOUNDARIES

The County delivers services through a mix of Executive departments and agencies run by separately elected officials. In addition, the two court systems (Superior Court and District Court) comprise a separate branch of government. The Executive committed to working across these organizational boundaries and formed a “General Fund Cabinet” with the separately elected officials to share ideas and improve communications. This created opportunities for budget efficiencies through better coordination and by thinking about entire systems rather than individual programs in isolation.

5. WORK WITH LABOR PARTNERS

Most of the County’s employees are represented by labor unions. The Executive asked unions and employees to be partners in the efforts to balance the County’s budget and improve services. County employees will be the best sources of ideas for increasing productivity, and programs are underway to train people in these skills at all levels of the organization. The Executive also asked county employees to forego their cost-of-living adjustments (COLAs) for 2011 to help preserve services and save jobs. As of budget adoption, over 90 percent of county employees had agreed to forego COLAs for 2011, which saved the county over \$23 million. These funds were used to preserve direct services and county jobs.

6. GIVE VOTERS A CHOICE

Efficiencies alone will not create a balanced budget in the long-term. General Fund revenues typically will not keep up with inflation and population growth because the property tax is the largest source of funds. Under the provisions of Initiative 747, passed statewide in 2001, property tax revenue growth is limited to 1 percent annually, plus the value of new construction. This initiative was eventually ruled unconstitutional but was reenacted by the

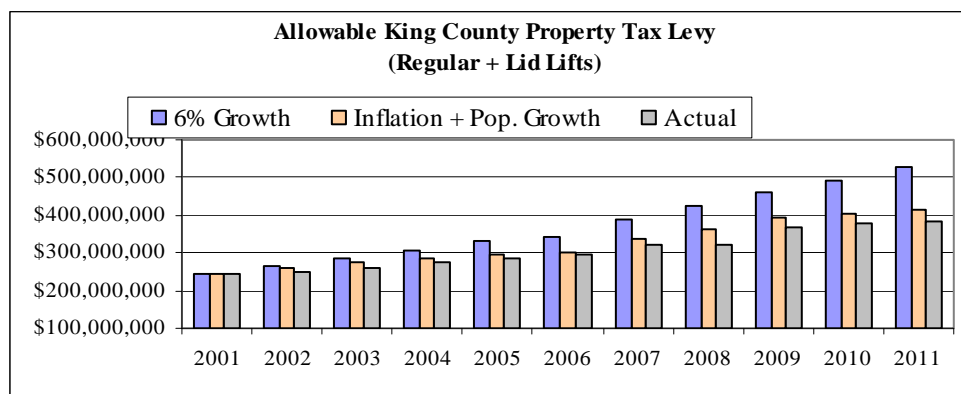


Figure 12

Legislature. Figure 12, shows how that limitation has reduced property tax revenues (including three voter-approved levy lid lifts for parks, veterans, and human services) below the previous limit (6 percent per year) or the sum of inflation and population growth.

For example, if General Fund property tax revenues could have grown at the rate of inflation plus population growth, about \$40 million more would have been available for 2011 programs. Property tax limits also affect the County's unincorporated area levy that mostly supports the Roads Fund.

In July, the County Council placed a 0.2 percent increase in the sales tax on the November ballot as Proposition 1. This tax was authorized under State law and five other counties have already received voter approval for it at rates ranging from 0.1 percent to 0.3 percent. Proceeds could have also been used to replace the Youth Services Center courthouse in Seattle. If approved by the voters, the tax would have gone into effect on April 1, 2011 and raised about \$34 million for the County in 2011. King County voters rejected Proposition 1 by a 55/45% margin. As a result of this outcome, the Adopted Budget reduced funding for critical criminal justice services in 2011. However the Council was able to set aside \$1.5 million to address emergent criminal justice needs.

Finally, the Department of Transportation (DOT) has a biennial (two-year) budget for 2010 and 2011. A mid-biennium supplemental budget was submitted for selected DOT divisions in October. Most DOT divisions have only minor changes, but the Roads Division faced budget cuts due to revenues falling below originally projected levels.

HIGHLIGHTS OF 2011 ADOPTED BUDGET



King County

“Given the fiscal challenges we are facing, this budget does all it can to protect public safety, maintain the quality of life in our communities, and protect our most vulnerable residents.”

- Julia Patterson,
Councilmember

Chair of the Budget and Fiscal
Management Committee

The County Executive’s budget development process began in early June. At that time, the projected 2011 difference between the General Fund revenue forecast and the cost of continuing current programs was approximately \$60 million. Most agencies receiving General Fund support had been asked to identify spending cuts and/or revenue increases of 12 percent, including 3 percent from efficiency improvements. Non-General Fund agencies were typically asked to find 3 percent efficiencies.

Figure 13 provides an overview of how the 2011 General Fund Budget was balanced. The most significant changes were:

- About \$19 million was saved because of forecast changes between the original 2011 budget estimate made in September 2009 and the final forecast made in September 2010. By far the largest forecast change was a much lower expected rate of inflation due to the continued weakness in the economy.
- About \$5 million had to be added to the General Fund to cover reserves for costs that are likely to occur in 2011 but will not be appropriated in the Proposed Budget. This included the innovation and criminal justice reserve described previously.
- About \$45 million was obtained from expenditure cuts (\$33 million) and revenue increases. The vast majority of reductions came from law, safety, and justice (LSJ) agencies because these comprise more than 75 percent of the General Fund. These reductions would have been avoided if voters had passed Proposition 1. The revenue increases are mostly focused on expanding contract services provided to other governments (mostly cities) and increases in fees.

CLOSING THE \$60 MILLION GENERAL FUND DEFICIT

Figure 13

Cumulative Changes to Address 2011 General Fund Deficit	Impact on Deficit
Projected 2011 Status Quo Deficit - based on 2010 Adopted Deficit ^(a)	59.2
Forecast Change (Adjusts for Forecast Changes from 9/09 to 9/10) ^(b)	(19.1)
Financial Plan Reserve Updates ^(c)	
Risk Mitigation Reserve	14.0
Parks Partnership	(0.4)
Alder Transition Reserve	(1.5)
Changes to Other Reserves and Designations	1.2
Addition of Innovation and Customer Service Fund	0.5
Addition of Labor Incentive Reserve	1.5
Elimination of OPEB reserve	(4.0)
Elimination of Green River Flood Mitigation Reserve	(1.0)
Increase in Outyear Deficit Reduction Reserve	3.0
Labor Reserve Changes	
Addition of COLA Reserve	4.9
Decrease in Salary and Wage Reserve	(7.3)
Program Changes (includes new revenues and expenditure reductions)	
Legislative Agencies	(2.4)
Executive Agencies	(1.4)
Executive Services	(2.3)
GF Transfers (PE and CIP)	(1.1)
Public Health GF Transfer	(3.3)
Elections	(0.7)
Assessments	(1.7)
Additional General Government	(0.6)
Law, Safety and Justice	(33.9)
Central Rate Changes from Status Quo Levels ^(d)	
Reductions to Existing Central Rates	(7.1)
New Central Rates	6.5
Additional Changes	
Green River Debt Service Payments moved to 2012	(3.4)
Technical Expenditure Reductions	(1.8)
Technical Revenue Decreases	2.6
Reduction in 6% Reserve Requirement	(0.7)
Increase in Ending Fund Balance over Reserve Requirement	0.1
Remaining Executive Proposed General Fund Deficit	(0.0)
Increase in expenditures (primarily COLA Buy-Backs)	6.6
Increase in revenue	(1.2)
Reserve draw down (primarily COLA Reserve)	(5.3)
Council Adopted General Fund Deficit	0.0
Projected 2012 Deficit ^(e)	22.7

Notes:

^(a) The 2010 Adopted budget includes a projection of the 2011 deficit based on assumptions for fund balance, revenues, and expenditures developed in Sept. 2009. This projection assumes the current level of service updated for 2011 costs. The majority of the increases are in labor costs, including benefits, retirement and salary adjustments. There are also increases in central rates costs, which are also driven by labor costs. The budget process addresses the increased cost of services throughout the year as new forecasts become available. The difference between the cost and revenue projections from 2009 to 2010 are captured in the "forecast change". The initial planning also adjusts reserve levels for known upcoming costs. In May, OMB's updated deficit projection was \$58 million.

^(b) The forecast change from 2009 to 2010 is based on updated revenue forecasts from OEFA, updated agency level revenue forecasts, change in projected fund balance and lower CPI and COLA forecasts. The 2009 forecast for 2011 assumed 3.8% inflation, 3.42% COLA, and 13.3% benefit growth. The Proposed Budget assumed 1.67% inflation, 12.5% benefits growth, and a portion of COLA at 2% has been removed from expenditures and placed in separate reserve.

^(c) Financial plan reserve updates are measured from assumed 2011 levels in the 2010 adopted financial plan.

^(d) Central rate changes are measured against 2011 planning levels. The total central rate change from 2010 to 2011 is an increase of \$13.4 million, primarily due to an increase in labor costs.

^(e) The projected 2012 deficit is based on the Council Adopted financial plan.

The General Fund spending cuts include about \$1.6 million in efficiencies, which allow programs to be continued at a lower cost. An additional \$5.2 in non-General Fund efficiencies are reflected in the 2011 Adopted Budget. A few examples of these efficiencies are shown in Figure 15.

Figure 14 shows the 2011 Adopted General Fund budgets by agency. It also shows the percentage reduction each agency has from the cost of continuing 2010 services. These include efficiencies, program reductions, staffing cuts, and revenue changes (e.g., additional contracts for jail beds). The largest percentage reductions (12 percent) were made in administrative offices, such as the Executive's Office and County Council agencies (the Executive's Office reduction appears smaller due to transfers of staff from other departments). Law, safety, and justice agencies have an average cut of 9.5 percent.

Specific changes are described in detail in the Adopted Budget, but some of the more significant examples of program reductions include:

- The Sheriff's Office will eliminate 71 positions, all of which are sworn officer positions. This will reduce regional and specialty services, as well as detective and deputy positions in the unincorporated area. The Sheriff's Office will continue to place a priority on responding to 911 calls, but will have to cut back on detectives, storefronts, school resource officers, and other programs.
- The Prosecuting Attorney's Office will eliminate 16 deputy prosecuting attorneys and nine staff, which will result in a backlog for filing cases.
- The staffing model for defense contractors in contempt of court cases will be changed, saving \$1.5 million.
- Superior Court will increase the fees associated with Family Court Service programs to preserve the three programs that had been identified for elimination in the Proposed Budget. The Court will also establish a new fee-backed Family Law Orientation program, which may lead to efficiencies in future operations.

2011 General Fund (GF) Adopted Budget

Figure 14

Agency Name	2011 Adopted Expenditures	% Reductions from Status Quo ¹
Assessments	21,243,286	8.2%
Board of Appeals	675,082	9.5%
Boundary Review Board	336,789	2.9%
Cable Communications	297,723	12.2%
Charter Review Commission	280,000	n/a
CIP GF Transfers	9,007,712	16.0%
Council Administration	11,075,157	11.5%
County Auditor	1,530,258	12.0%
County Council	2,390,220	12.6%
County Executive	327,411	2.6%
Elections	17,655,974	11.2%
Executive Contingency	100,000	n/a
Executive Services - Administration	3,249,777	15.2%
Federal Lobbying	368,000	n/a
Finance - GF	2,830,672	32.6%
General Government GF Transfer	3,073,373	-53.6%
Hearing Examiner	558,696	9.5%
Human Resources Management	5,284,671	3.0%
Human Services GF Transfers	626,283	n/a
Internal Support	8,424,002	29.7%
King County Civic Television	563,909	12.0%
Membership and Dues	161,250	65.7%
Office of Economic and Financial Analysis	345,604	-3.8%
Office of Labor Relations	2,077,697	0.3%
Office of Law Enforcement Oversight	335,344	12.0%
Office of the Executive	3,665,744	2.6%
Ombudsman/Tax Advisor	1,214,740	2.1%
Office of Performance, Strategy and Budget	6,521,872	12.0%
Physical Environment GF Transfers	2,456,339	4.0%
Public Health GF Transfers	24,464,977	12.1%
Real Estate Services	3,667,229	147.8%
Records and Licensing Services	7,519,116	5.3%
State Auditor	807,296	n/a
Adult and Juvenile Detention	126,871,483	7.8%
District Court	27,410,038	10.2%
Drug Enforcement Forfeits	1,091,572	n/a
FMD/Security Screeners	0	n/a
Inmate Welfare	1,137,412	n/a
Jail Health Services	24,722,964	4.0%
Judicial Administration	18,863,639	8.0%
Office of Emergency Management	1,357,979	0.5%
Office of the Public Defender	37,499,169	9.1%
PAO Antiprofitteering	119,897	0.0%
Prosecuting Attorney	56,439,180	7.1%
Sheriff	138,578,129	9.2%
Superior Court	44,053,383	6.6%
Law, Safety and Justice Only	478,144,845	9.5%
Totals	621,281,048	9.6%
Assumed 0.5% Underexpenditure ²	(1,899,239)	
2011 Adopted General Fund Expenditures	619,381,809	

¹ These figures represent the % reduction in the Adopted 2011 Budget from the projected 2011 cost to provide the same services as were provided in 2010. Both expenditure reductions and revenues (e.g. higher contract revenues) are reflected. The figures are adjusted to remove the effects of transfers among agencies, such as the transfer of security screeners to the Sheriff's Office.

² The General Fund Financial Plan assumes a 0.5% underexpenditure for non revenue backed expenditure levels.

Agency Name	Title	Projected Savings	Brief Description
Facilities Management Internal Service (FMD)	Energy Conservation Projects	(\$849,000)	FMD will implement numerous energy conservation initiatives, expanding heating and cooling set points, reducing HVAC operating hours and reorganizing server rooms.
Superior Court	On Call Jurors	(\$322,332)	With the new jury system, jurors will be on-call and will report to jury rooms when needed instead of reporting on first day of service and waiting until needed. The Court will save on mileage and per diem reimbursements and jurors will spend less time in the courthouse waiting to be called to service.
Elections	Eliminate use of fresh ballot stock	(\$30,000)	Elections implemented a cost saving process improvement by eliminating the use of fresh ballot stock for duplication.
Jail Health Services	Medication Packaging Return on Investment	(\$205,156)	Jail Health Services will implement a new automatic medication packaging system that will streamline the dispensing process in the pharmacies and the medication preparation process for nurses.

Figure 15

- The Department of Adult and Juvenile Detention will make significant staff reductions, but the Council restored \$500,000 and 5 FTEs to explore how the booking function at the Maleng Regional Justice Center detention facility might be kept open for part or all of 2011.
- The District and Superior courts will reduce their probation staffing, meaning fewer adult and juvenile offenders will receive supervision and probation staff will carry heavier case loads.
- Public Health will reduce a range of programs, including home visits to expectant mothers and some appointments at the Eastgate health clinic for low-income adults.
- General Fund support for human service programs will be approximately \$626,000. In 2007, the General Fund provided over \$21 million for human services, but the amounts have been cut back in each subsequent year because of revenue shortfalls.
- The Parks Division will not receive any General Fund support in 2011. Beginning in 2011, Parks operations will be entirely supported by a voter-approved property tax levy and fee revenues.
- Approximately \$656,000 of General Fund will be provided to continue agriculture, forestry, and related programs.

Executive Constantine proposed a specific list of program reductions that would be restored if the voters approved the 0.2 percent sales tax in November. The list included all cuts in criminal justice programs plus restoration of funding for human services programs that support the criminal justice system. Since Proposition 1 was rejected by voters, the Council implemented the vast majority of the cuts.

The 2011 Adopted General Fund budget relies almost entirely on sustainable changes. Thus, under current forecasts, the General Fund deficits for 2012 and 2013 are estimated at \$22.7 million and \$16.4 million, respectively, despite higher anticipated costs for debt service, health care, and pension contributions. Deficits of these magnitudes can be managed by continuing to obtain 3 percent productivity improvements each year.

“We are most grateful to our county bargaining units that agreed to forego cost-of-living increases for 2011. This allowed us to create a \$1.5 million emergency reserve fund for criminal justice needs, as well as to restore domestic violence and sexual assault funding and special court advocate programs that help people survive in turbulent times.”

- Kathy Lambert,
Councilmember

Vice Chair of the Budget
Leadership Team

Most non-General Fund agencies did not have the same budget challenges for 2011. However, both the Department of Development and Environmental Services (DDES) and Public Health's Environmental Health Services Division have seen plummeting demand for permits because of the collapse of the housing market. DDES eliminated 30.5 full-time equivalent (FTE) positions for 2011 to address the resulting revenue shortfalls. This means that half of the Department's positions will have been eliminated in the last three years. Because of similar revenue decreases, Public Health cut 12.75 positions in October 2010 and is going to have to cut significantly more in 2011 due to state revenue constraints.

DDES also adopted a fundamental restructuring of its permits to improve customer service and create incentives for efficiency. Most permits have been based on an hourly service charge, which means applicants cannot be certain of their costs. For 2011, DDES established fixed fees for 90 percent of its permits. A surcharge of 5 percent of the fee will be imposed for four years to rebuild reserves and support improved technology. DDES has also reinstated a program to issue many permits over the counter and without appointments. Public Health also adopted increases in some fees to maintain staffing and service levels.

Figure 16

The other notable fee change in the 2011 Adopted Budget is an increase in the surface water management (SWM) fee. This fee provides money for capital investments to prevent flooding and improve drainage. It also pays for water quality monitoring activities. The SWM fee was last increased in 2007. The Adopted Budget is based on an increase in the annual residential fee from \$111 to \$133 and also includes discounts for commercial properties which manage their own storm water. The resulting revenue will be used to make new capital investments and maintain monitoring programs.

As noted previously, changes to the 2011 budget for the Roads Division were handled separately through a mid-biennium ordinance. Significant reductions in spending were made.

Figure 16 shows the number of FTE positions being eliminated by each agency. 363 FTE positions were eliminated. However, not all resulted in layoffs since many positions were vacant as a result of the year-long hiring freeze.

General Fund and Non General Funds	
Agency	Adopted FTEs Eliminated¹
Legislative Agencies	(10.00)
County Executive	(2.50)
OIRM	(2.00)
Sheriff	(48.00)
DDES	(30.50)
DNRP	(30.68)
Executive Services	(12.73)
Prosecutor	(24.00)
Superior Court	(6.00)
District Court	(7.00)
Dept of Judicial Admin.	(13.50)
Assessments	(16.00)
Public Health	(88.19)
Adult & Juvenile Detention	(55.71)
DCHS	(14.33)
Elections	(1.00)
Grants	(1.20)
Total FTEs Eliminated	(363.34)

¹ This table represents the net of all FTEs eliminated in the 2011 adopted budget. In contrast to the table in the Proposed Executive Summary, this table includes new FTEs, and FTEs transferred to another agency.

LOOKING AHEAD



King County

The County's budget faces additional challenges in the years to come. In addition to the problems posed by a weak economy, health care and pension costs, and statewide initiatives, several specific County programs face their own challenges.

The Transit Division of DOT provides bus and paratransit services throughout the County. The steep decline in sales tax receipts is creating revenue shortfalls for this biennium's budget, which are being covered by drawing down operating and capital reserves, making non-service cuts, and implementing operational efficiencies. Transit will need to obtain an additional revenue source in 2011 or will need to make significant service cuts in 2012 and beyond.

The County Road Fund has ended several years with a negative fund balance partially due to delayed property sales and federal storm grant receipts. The 2010/2011 Adopted Biennial Budget took the steps necessary to reverse these trends and maintain target fund balances. Road Services Division continues to collaborate with staff from the King County Council and Office of Performance, Strategy and Budget to create a new strategic plan. The strategic plan will identify policy recommendations for service levels and funding to continue to operate, maintain and preserve safe roads and bridges in the remaining service area.

The veterans and human services property tax levy expires at the end of 2011. This levy generates about \$14.5 million annually, which is split evenly between programs to serve veterans and programs to serve other citizens in need. It is likely that a proposal to renew this measure will be developed in 2011, but funding for these programs would have to be eliminated if the levy is not approved by the voters. Additionally, cuts at the federal and state levels will severely impact the level of human services available in King County.

The King County Flood Control District is a separate government overseen by the same individuals who serve as the King County Council. This district imposes a property tax whose revenues are spent to improve and maintain levees and other flood control structures throughout the County. Much of the money is spent by the Water and Land Resources Division of the County's Department of Natural Resources and Parks under contract with the District. Because of declining property values, some areas of the County are approaching their maximum allowed combined property tax rate. If this occurs, the Flood Control District may begin to lose its authority to collect taxes, thereby requiring reductions in projects and programs.

These are examples of budget issues that may arise in 2011 and subsequent years. The County's approach of using the Strategic Plan to set priorities, measuring performance, and seeking annual increases in productivity will help to address all these challenges.

*"Only by innovating
and adapting can we
continue protecting
basic services,
promote equity and
social justice, and
renew our commitment
to people,
environment, economy
and infrastructure."*

-Executive
Constantine
March 2010
100 Day Speech